

Before the
FEDERAL COMMUNICATIONS COMMISSION
 Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

MCI TELECOMMUNICATIONS CORP.)

 Billing and Collection Services Provided)
 by Local Exchange Carriers for Non-Subscribed)
 Interexchange Services)

RM 9108

REPLY COMMENTS OF
BILLING CONCEPTS, INC.

Billing Concepts, Inc. ("BCI"), by its attorneys, submits the following reply comments in the above-captioned matter. BCI is a publicly-traded third-party LEC billing clearinghouse based in San Antonio, Texas. As a clearinghouse providing billing and collection services for telecommunications common carriers, BCI generally supports the comments of interexchange carriers and other billing clearinghouses which advocate grant of MCI's Petition for Rulemaking and opposes the contrary comments of local exchange carriers ("LECs").

MCI's Petition seeks a rulemaking to address concerns related to LEC billing of interexchange carrier "casual calling" services that do not require prior subscription arrangements. These services include collect, 0+, 10XXX, third-party billed, LEC calling card and 900 number services. MCI estimates that the market for these services is approximately \$12 billion annually. MCI maintains that "there are no realistic alternatives at present" to LEC-provided billing and collection for casual calling services and, as a result, requests an FCC rulemaking to establish non-discriminatory requirements for LEC billing and collection.

The MCI Petition elicited broad-ranging support from IXCs^{1/} and the billing clearinghouses^{2/} that provide them with an economical interface with the LECs. The IXC and clearinghouse commentors submitted a series of arguments and examples demonstrating LEC economic power in the provision of billing and collection services. At the same time, the LECs uniformly oppose the MCI Petition, maintaining that MCI seeks reregulation of billing and collection despite the availability of numerous alternate sources of supply.

The LECs rely on prior Commission findings to contend that the availability of billing name and address ("BNA") information for use in direct billing, credit card billing and other methods offer viable alternatives to LEC billing. The IXCs and clearinghouses argue that LEC billing is so economically advantageous as to make those other options infeasible in a price-competitive marketplace.

The comments thus make clear that the issues raised by MCI's Petition are rooted in *economic* concerns, not technical ones. In considering the public interest here, the Commission should not be distracted by the mere existence of alternative billing vehicles; rather, the inquiry should focus on the economic viability of any other billing method as compared to LEC billing for casual calling services.

When viewed as a matter of economic feasibility, the LECs' remaining market power in billing and collection for casual calling services is undeniable. To state the obvious, if practical options were available to MCI, AT&T, WorldCom and all the other

^{1/} Comments were filed by WorldCom, Inc. ("WorldCom"), AT&T Corp. ("AT&T"), The Telecommunications Resellers Association ("TRA"), PhoneTime Inc. ("PTI"), Digital Network Services, Inc. ("DNSI"), Cable & Wireless, Inc. ("CWI") and Consolidated Communications.

^{2/} Comments were filed by OAN Services, Inc. ("OAN"), Integretel, Inc. ("Integretel"), and Hold Billing Services, Ltd. ("HBS"); OAN and Integretel filed jointly.

IXCs, they would not be spending time and resources pursuing this Petition. Nor would they tolerate the stream of unilaterally imposed LEC conditions and contract changes which are continually imposed on LEC billing and collection contract holders. So long as LEC billing for casual calling remains the least expensive and most widely available billing device, individual IXCs will be forced to rely on it because to do otherwise would cause their services to become uneconomic as compared to their competitors. For example, MCI estimates the cost of direct billing a single collect call is over \$1.50,^{3/} while it states that the price for LEC billing of that same call is \$0.12-0.13.^{4/} In a business with narrow profit margins like long-distance, this difference represents an insurmountable competitive advantage. The LEC comments ignore this fact, choosing to pretend that economics are not relevant to the issue at hand. This is tantamount to arguing that flying to Chicago to meet with friends and telephoning them there are both alternative avenues for communication which have equal viability.

Similarly, the LEC contentions that they are asked to bill some calls (*e.g.*, casual calls) and not others (*e.g.*, 1+) are irrelevant. This fact does not lead to the LEC implication that they are being asked to bill money-losing calls while IXCs bill the profitable traffic directly, somehow creating an LEC subsidy to IXCs in the process. In fact, the different treatment of billing for 1+ *vis-a-vis* casual calling demonstrates nothing more than that for some types of calls direct billing is a realistic economic alternative and, for other types, it is not. For present purposes, the relevant factor is this -- no LEC claims that its billing and

^{3/} MCI Petition at 7.

^{4/} *Id.* at 5.

collection services for IXC casual calling is unprofitable. Thus, issues of cross-subsidy and cream-skimming are not present.

Importantly, MCI has not sought reregulation of LEC-provided billing and collection services, despite LEC claims to the contrary. Instead, MCI has made the relatively modest request that the FCC establish a nondiscrimination rule. In fact, in BCI's view, the Commission could take this action without a rulemaking by declaring discrimination in the provision of billing and collection services to be an unreasonable practice under the Communications Act.

Finally, there is one further action which BCI urges the Commission to take in this proceeding. As the Comments explain, billing clearinghouses exist to enable smaller IXCs to obtain the benefits of LEC billing on an equal footing with large carriers (such as MCI and AT&T) whose casual call volumes justify dealing directly with the LECs. Any LEC discrimination against clearinghouses, then, serves to harm smaller IXCs in comparison to their larger competitors.

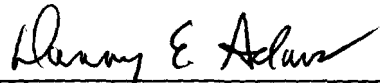
In order to ensure equal treatment of IXCs, regardless of size, the Commission should make clear that any conditions or limitations which LECs impose on billing and collection services provided to IXCs must, at a minimum, apply equally to *all* IXCs. Requirements such as the GTE complaint surcharges described in the Comments of several parties,^{5/} for example, should be measured on an IXC-by-IXC basis, not by aggregating the complaints of the dozens or hundreds of IXCs served by a single clearinghouse. This is a basic tenet of nondiscrimination among IXCs, as required by the Communications Act, and

^{5/} See, e.g., Joint Comments of OAN and Integretel, at 6-8; Comments of Consolidated Communications at 3, 4.

need not even be subject to a rulemaking proceeding. The Commission should simply state clearly that under Title I of the Communications Act^{6/} any requirement or limitation imposed by LECs on IXC billing and collection services should be applied equally to all IXCs, regardless of whether they are large enough to deal directly with the LEC or are smaller and require the intermediate services of a billing clearinghouse. Carriers should not be penalized for using clearinghouses by being lumped with other IXC customers of the clearinghouse for purposes of applying LEC forfeiture policies. While such a declaratory ruling will not solve all the problems addressed by the MCI Petition, it will provide an equalizing force among large and small IXCs during the Commission's deliberations in the rulemaking proceeding.

Respectfully submitted,

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^{6/} See MCI Petition at 12-13 for a discussion of the Commission's Title I authority.

CERTIFICATE OF SERVICE

I, Roberta Schrock, hereby certify that on this 14th day of July, 1997, copies of the foregoing document were sent via first class United States mail, postage prepaid, to the following:

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